

NASAA COORDINATED EQUITY REVIEW PROGRAM

I. Overview of the Coordinated Equity Review Program

Coordinated Equity Review (CER) provides a uniform state registration procedure designed to coordinate the blue-sky registration process in all of the states in which the issuer seeks to sell its equity securities. In addition to creating uniformity in the review standards, the program is designed to expedite the registration process, saving the issuer time and money. Of the states that register offerings eligible to use CER, all but 4 are currently participating in the CER Program. CER is designed to target stock offerings on the NASDAQ Small Cap, over-the-counter, and other small exchanges.

The CER Program offers issuers registration efficiencies by creating a uniform scheme of review. The CER Program utilizes established NASAA Statements of Policy for substantive (“merit”) comments. This provides a predictable standard of review for issuers with respect to merit issues. The review regarding disclosure issues is contingent on the nature of each individual offering although many of the NASAA Statements of Policy contain some disclosure requirements.

Additionally, the CER Program simplifies the blue-sky registration process for issuers by reducing the issuer’s effort needed to resolve comments. Under the CER Program, two lead states are designated to act as the lead disclosure and lead merit states in each offering. The lead disclosure state coordinates with all disclosure states and the lead merit state coordinates with all merit states. The two lead states generate one comment letter on behalf of all jurisdictions instead of the issuer receiving numerous individual comment letters. The issuer deals with only the two lead states while negotiating the resolution to all comments. The two lead states resolve comments and grant registration on behalf of all participating states. Once the lead disclosure state agrees to register the offering, all participating disclosure jurisdictions agree to register it simultaneously. The same is also true with respect to the merit jurisdictions. In this way, the CER Program simplifies the overall blue-sky process and places a significant portion of the coordination effort on the states.

Finally, the CER Program offers issuers an expedited review process. Under CER, all participating jurisdictions agree to an immediate review of the application. The CER Program Protocol establishes compulsory time periods for review and generation of comments. The time to clear an offering through CER remains contingent on the response time of the issuer, but the response time from the states is established and predictable. Because of the time and effort necessary to coordinate multiple jurisdictions, issuers should plan on the CER Program taking a minimum of thirty days. Please consider this time frame when requesting registration under the CER Program.

II. Candidates for CER

CER is generally intended only for initial public offerings of common stock, preferred stock, warrants, rights and units comprised of equity securities. Such offerings must also be registered (or seeking registration) with the Securities and Exchange Commission. As such, CER is not available for Regulation A offerings. CER is not available for issuers of blind pool or blank check offerings. Issuers should note that CER might not be available on all offerings even if the offering fits within the initial screening criteria.

III. Required Forms

The issuer should submit directly to each state in which it seeks to sell, those forms required by each state. These forms are typically:

- ☐ the Form U-1 (Uniform Application to Register Securities);
- ☐ the Form U-2 (Consent to Service of Process);
- ☐ the Form U-2A (Form of Corporate Resolution); and
- ☐ the Form CER-1 (Application for Coordinated Equity Review). It is on this form that the issuer selects all jurisdictions in which it seeks to register under the CER Program.

IV. Required Fees

The issuer is required to remit the fee required by each state in which it seeks to sell its securities. Such fee shall be submitted directly to that state along with other required documentation.

V. Pennsylvania's Role as Coordinating State

Pennsylvania acts as the CER Program Coordinator. In this role, Pennsylvania designates the lead merit and lead disclosure states, communicates with the issuer's counsel and the participating jurisdictions, acts as a troubleshooter for the process in general, and facilitates each specific application.

In addition to submitting the paperwork to each state in which it seeks to sell, the issuer shall also send the Form CER-1 to the State of Pennsylvania. If the issuer does not seek to sell its securities in Pennsylvania, the issuer should submit only the Form CER-1 and the appropriate offering documents. If the issuer seeks to sell in Pennsylvania, it should submit the Form CER-1, the appropriate registration forms, the appropriate fee and the appropriate offering documents.

VI. Selection of the Lead Jurisdictions

As the coordinating jurisdiction, Pennsylvania is responsible for selecting the two “lead” jurisdictions from the states checked by the issuer on the Form CER-1. One lead state represents all of the disclosure states and the other lead state represents all of the merit states. The issuer does not have the option of requesting specific lead jurisdictions. Pennsylvania will select the lead jurisdictions based on a number of factors, including the state’s resources and experience in CER applications. There may be no correlation between the lead jurisdictions and the issuer’s home jurisdiction.

VII. Timing of the CER Process

Within three full business days of Pennsylvania’s receipt of the issuer’s Form CER-1, Pennsylvania designates the two lead states. All participating states have ten business days to comment on the issuer’s application and forward those comments to the lead states. Within another five business days, the lead states collect and consolidate all the comments and send one coordinated comment letter to the issuer. The lead states then resolve outstanding comments with the issuer’s legal counsel. Once the lead states clear the application, all participating states agree to clear it simultaneously. The issuer should anticipate that the CER process will take a minimum of thirty days. For greater detail on the timing of the CER process, please refer to the CER Program Protocol contained in this section.

VIII. Adding Jurisdictions to the Form CER-1

After the review process has begun, the issuer has a limited ability to add jurisdictions to the CER Program. The issuer may add as many jurisdictions it desires so long as such additions occur within the 10-day comment period mentioned above. If the issuer seeks to add a jurisdiction after this period, the issuer may be required to seek independent registration in each additional jurisdiction and be subject to non-CER standards of review in those jurisdictions. For more information, please refer to the CER Program Protocol contained in this section.

IX. The Comment Letter

The comment letter will be divided into various sections, covering disclosure comments, merit comments and any state specific comments.

- ❑ **Merit or substantive Issues:** Examiners from merit states will generate merit or substantive comments which are based only on the NASAA Statements of Policy. All merit comments will be resolved through the lead merit state.
- ❑ **Disclosure Issues:** These comments may come from the NASAA Statements of Policy and/or be generated independently by the various examiners. Comments of this type will be submitted by both disclosure and merit examiners. All disclosure comments will be resolved through the lead disclosure state.

- ❑ State Specific Comments: As the CER process does not encompass all areas of regulatory oversight, the examiners may make state specific comments. The state specific comments may include issuer dealer/agent registration, appropriate fees/documents, compliance with certain internet offering requirements, etc. These comments may be resolved through the lead states. However, the issuer may ultimately have to resolve the comment directly with that particular state.

X. Applicable NASAA Statements of Policy

The CER Program utilizes the following NASAA Statements of Policy in the review of CER applications. The text of each of these statements is contained in its entirety in the NASAA Reports volume.

Corporate Securities Definitions	¶ 3811
Impoundment of Proceeds	¶ 2151
Loans and Other Material Affiliated Transactions	¶ 371
Options and Warrants	¶ 2801
Preferred Stock	¶ 3001
Promoter's Equity Investment	¶ 3101
Promotional Shares	¶ 3201
Specificity in Use of Proceeds	¶ 3831
Underwriting Expenses and Underwriter's Warrants	¶ 3671
Unsound Financial Condition	¶ 3821
Voting Rights	¶ 2401

Additionally, please note this volume also contains the Model Promotional Shares Lock-In Agreements for Class A and Class B issuers. These lock-in agreements are used in conjunction with the Statement of Policy Regarding Promotional Shares.

XI. Overview of the Administrators' Responsibilities

The lead states are responsible for the following:

- ❑ Collecting comments from the participating jurisdictions;
- ❑ Drafting one comment letter to the issuer including both disclosure, merit and state specific comments;
- ❑ Forwarding a copy of the initial comment letter to the participating jurisdictions;
- ❑ Forwarding a copy of the issuer's response letters to the participating jurisdictions;
- ❑ Negotiating the resolution of comments with the issuer;
- ❑ Negotiating the resolution of comments with the participating jurisdictions;
- ❑ Making all final decisions regarding the resolution of comments; and
- ❑ Recommending registration of the issuer's offering and forwarding that recommendation to all participating jurisdictions.

XII. Overview of the Issuer's Responsibilities

The Issuer is responsible for the following:

- ❑ Filing the Form CER-1 in Pennsylvania, regardless of its intent to sell securities in Pennsylvania;
- ❑ Filing the Form CER-1 and all other appropriate documents and fees with each participating jurisdiction in which it seeks to sell;
- ❑ Filing all amendments with the participating jurisdictions;
- ❑ Communicating with the lead disclosure and lead merit examiners to resolve comments;
- ❑ Forwarding all amendments to the issuer's registration statement or offering documents to the participating jurisdictions;
- ❑ Negotiating the resolution of state specific comments with the participating jurisdictions; and
- ❑ Forwarding notice to all participating jurisdictions that the Securities and Exchange Commission has cleared the issuer's offering.

XIII. Participating Jurisdictions

States currently participating in the national CER Program include:

Alabama	Kansas	New Hampshire	South Dakota
Alaska	Kentucky	New Jersey	Texas
Arizona	Maine	New Mexico	Utah
Arkansas	Maryland	North Carolina	Vermont
California	Massachusetts	North Dakota	Virginia
Connecticut	Michigan	Oklahoma	Washington
Delaware	Mississippi	Oregon	West Virginia
Idaho	Missouri	Pennsylvania	Wisconsin
Indiana	Montana	Rhode Island	
Iowa	Nevada	South Carolina	

XIV. Jurisdictions Offering Automatic Effectiveness

Because the states of Colorado, Florida, Georgia, Hawaii, Illinois, Louisiana, New York, and Wyoming do not require a state-level substantive review of this type of filing, they are not included in the CER Program.